**EXHIBIT
G**

1   UNITED STATES DISTRICT COURT

2   DISTRICT OF NEW HAMPSHIRE

3

4 SECURITIES AND EXCHANGE   ) Civil Action No.
   COMMISSION,   ) 1:21-cv-00260-PB

5   )

6   Plaintiff,   )
) VOLUME 1
       vs.   ) (Pages 1 to 339)

7   )

   LBRY, INC.,   )

8   )
              Defendant.   )

9 _____)

10

11

12   CONFIDENTIAL DEPOSITION OF

13   DR. BORIS RICHARD

14   VIA WEBEX VIDEOCONFERENCE

15   Wednesday, March 30, 2022

16

17

18

19

20

21

22

23 REPORTED BY:

24 ELBIA BAIRES

25 JOB NO. 220330LHR

                                                      1

1   A.   Yes. It said publicly in very many

2 details -- in a very -- in a very kind of

3 exhaustive way of what they have done. Which

4 features are working, which features are in the

5 development.

6   So they provided very detailed

7 updates on their efforts and on the deployment

8 and the functionality of the components of

9 their ecosystem.

10   Q.   Okay. But listen carefully to my

11 question, Dr. Richard.

12   For your opinions in Exhibit --

13 excuse me, in paragraphs 11 and 13, did you do

14 anything, you or your team, do anything other

15 than review and summarize LBRY's public

16 statements?

17   MS. MECHANIC: Objection.

18   A.   That's a fair statement.

19   Q.   Okay. That's what you did?

20   A.   That's what I did, yes. A very

21 detailed review --

22   Q.   Got it.

23   A.   -- of information provided by LBRY,

24 Inc.

25   Q.   In paragraph 13, you write, "LBRY

119

1 everybody to be equivalent to removing certain

2 transactions stored on a blockchain.

3   Q.   So your testimony --

4   A.   I'm just rephrasing the removal of

5 transactional records, by relabeling it and

6 calling it on-chain activity in footnote 76.

7   Q.   Let me see if I understand your

8 testimony, Dr. Richard.

9   Are you telling me that you did not

10 need to mention this part of your methodology

11 because it was generally understood that that's

12 what you were doing?

13   MS. MECHANIC: Objection.

14   A.   I included footnote 76 to focus and

15 to show the source which we used to identify

16 the activity to be removed. I did not intend

17 footnote 76 as an additional alternative

18 description of the methodology that was used to

19 remove certain on-chain activity.

20   It was designed specifically to

21 refer the reader to the sources that we used to

22 identify that activity to be removed.

23   Q.   But, Dr. Richard, one of the sources

24 that you used for your report is a list of

25 wallets that you received from LBRY, correct?

153

CONFIDENTIAL

```
 1          A.     That is correct.

 2          Q.     And you do not disclose that list of

 3   wallets anywhere, correct?

 4                 MS. MECHANIC:  Objection.

 5          A.     Yeah, it appears not to be disclosed

 6   in the report.

 7          Q.     Okay.  Was it -- was that list of

 8   wallet addresses key to the analysis that you

 9   did in your report?

10                 MS. MECHANIC:  Objection.

11          A.     The address the -- the addresses

12   that we know to be affiliated with LBRY is used

13   to identify the -- the list of transactions to

14   be removed from the on-chain activity to

15   capture the user related on-chain activity.

16                 So I would put it this way, we did

17   more than just removing the operational

18   activity of the three premine funds.  We -- I

19   was more conservative in this approach.  So

20   therefore, in addition -- effectively in

21   addition to removing all the on-chain

22   activities of the three premine funds by the

23   LBRY, we also removed additional transactions

24   that were somehow in any way affiliated or

25   associated with the LBRY addresses.
```

154

1   So we did a double-check --

2 double-check and we wanted to remove and be

3 conservative in estimating the non-affiliated

4 economic activity on-chain for the LBRY

5 network.

6   Q.   So, Dr. Richard, am I understanding

7 you right that you removed more than you said

8 you removed in paragraph 68?

9   MS. MECHANIC: Objection.

10   A.   Yes. We removed -- we removed a

11 large amount of activity. That's correct.

12   Q.   Okay. And if I wanted to recreate

13 your methodology based on your description of

14 how you determined on-chain transaction

15 activity, how would I do that?

16   A.   There are two ways -- there are two

17 ways that you could do it. The first one, the

18 transaction records provided by LBRY as they

19 pertain to the three premine fund, those

20 records, they have transaction hashes. So you

21 can go directly to the blockchain explorer and

22 identify those transactions.

23   In fact, the tokens -- the number of

24 tokens transferred and the purpose of that

25 transfer is -- is listed in -- in those records

155

CONFIDENTIAL

1 anyway.

2   In addition, you can identify

3 transactions to be removed on-chain if you have

4 a list of addresses. You just -- you go to

5 the -- if you don't want to use

6 sequel-structured approach the way we use it,

7 you can go to the LBRY blockchain explorer,

8 type in an address and it will give you the

9 history of transactions associated with that

10 address.

11   Including the tokens. Including the

12 dates. Including the destination address. So

13 you just remove that from the -- from the

14 on-chain activity.

15   Q.   Dr. Richard, you can't do that

16 unless somebody tells you that that particular

17 wallet address is associated or controlled by

18 LBRY, correct?

19   MS. MECHANIC: Objection.

20   A.   You need to know if -- if the

21 LBRY -- if -- if a particular address is -- is

22 affiliated with LBRY, Inc. Yes.

23   Q.   So without the list of wallet

24 addresses that you deducted, I cannot reproduce

25 your results, correct?

156

CONFIDENTIAL

```
 1              MS. MECHANIC:  Objection.
 2       A.    You can -- you can reproduce -- you
 3   can reproduce a large portion of it.  Because
 4   those transaction hashes that are -- are in the
 5   -- call it credit reports, you don't need to
 6   know addresses for those.  But it's addition
 7   transactions that are affiliated with another
 8   12 addresses, yes, you do these those 12
 9   addresses.
10       Q.    Were the addresses that you received
11   from LBRY prior addresses that LBRY used for
12   the three funds or just the ones it was
13   currently using?
14       A.    I cannot --
15              MS. MECHANIC:  Can you repeat that?
16   Our audio cut out.
17              MR. JONES:  I'm sorry.  Sometimes if
18   I look away for a minute, the audio might be a
19   problem.  Or maybe it's on your end.  But let
20   me try it again.
21       Q.    Were the wallet addresses that you
22   received from LBRY prior addresses that LBRY
23   used for the three funds or just the current
24   addresses they were using for the three funds?
25              MS. MECHANIC:  If you know.
```

157

CONFIDENTIAL

```
 1  the entire time period.

 2      Q.     And what is the conclusion that you

 3  wish people to draw from Exhibit 8,

 4  Dr. Richard?

 5             MS. MECHANIC:  Objection.

 6      A.     My conclusion -- my conclusion is

 7  that the majority of users were using the LBC

 8  token in a framework of on-chain transactions

 9  to execute non-investment transactions that

10  involved consumption and delivery and -- and

11  other ways of sharing the information as part

12  of the services provided by the LBRY network as

13  opposed to, you know, getting the token, going

14  to an exchange and selling it for profit.

15      Q.     What's the ratio that you needed to

16  find in your last -- in your rightmost column

17  in Exhibit 8 in order to draw that conclusion?

18             MS. MECHANIC:  Objection.

19      A.     There is no preconceived notion of

20  where that ratio should be.  I mean, the ratio

21  of two, roughly two, tells you that in a much

22  bigger fraction of transactional activity

23  overall, it happened on-chain as opposed to

24  trade and selling on trading venues.

25      Q.     Well, would you come that same
```

186

CONFIDENTIAL

 1 conclusion if you were only looking at 2016

 2 through 2019?

 3   A.   If -- if you look at a particular

 4 subcomponent, yes, there are -- there are years

 5 where the market trading activity exceeded the

 6 on-chain activity. But --

 7   Q.   Okay. And --

 8   A.   But it's not what's driving my

 9 expert statements in the report.

10   Q.   Well, it's not? Those don't --

11 well. Do those have any effect on your expert

12 statements in the report?

13   A.   I mean, they do implicitly because

14 eventually they feed into the overall ratio

15 that that is reported as 2.04. So it may -- it

16 could have been that those three years could

17 have seen much bigger secondary market trading

18 volume and that would have depressed the

19 overall ratio for an aggregate period.

20   You know, my conclusions would have

21 changed if I looked at a different overall

22 ratio over the six-year period.

23   Q.   If I had asked you to do the same

24 analysis at the end of 2019, what would your

25 conclusion have been?

187

CONFIDENTIAL

```
 1              MS. MECHANIC:  Objection.
 2        A.    I did not do -- I did not do that
 3   computation.  And again, my -- so I don't want
 4   to speculate at this point.  My conclusion's
 5   based on the totality of the information that I
 6   have available to me.  That includes 2021 --
 7   through 2021.
 8        Q.    Well, the totality of information
 9   includes 2016 through 2019 as well, right?
10        A.    That is correct.
11        Q.    Is there any reason why you couldn't
12   just total up the values for 2016 through 2019
13   in columns A and B and come up with a ratio in
14   the same way that you do in your total column
15   at the bottom of your chart?
16        A.    I -- mathematically and
17   arithmetically, I could.  But to the extent
18   that it's not feeding -- it's not the basis for
19   my expert conclusion, I didn't do it.
20        Q.    Well, I understand.
21              But you've presented your data here,
22   correct, Dr. Richard?
23        A.    The table does that, yes.
24        Q.    And you are saying that your
25   conclusion is based on this total line at the
```

188

CONFIDENTIAL

1 bottom of Exhibit 8, correct?

2   A.   That's correct.

3   Q.   And your methodology is essentially

4 to look at each individual year and measure

5 column A versus column B and then sum that

6 across the time period that you're looking at

7 and develop a ratio based on that, correct?

8   A.   Can you repeat the question? I'm

9 sorry.

10   Q.   Right.

11   So you look at the -- the data for

12 each of the years 2016 through 2021, correct?

13   A.   I'm reporting it as if it's part of

14 the -- I'm recording it because it's simply

15 part of my analysis, yes.

16   Q.   Right.

17   So my question is, is there

18 anything -- let me ask it a different way.

19   Dr. Richard, is there anything

20 that's sort of key to the fact that you are

21 looking at six years here versus looking at,

22 you know, the ability to look at four years or

23 five years? Is six years a magic number

24 somehow?

25   MS. MECHANIC: Objection.

189

CONFIDENTIAL

```
 1         A.     It is not a magic number.  The 2016

 2    is based on the fact that this is when the LBRY

 3    blockchain became -- became functional.  So you

 4    cannot talk about any on-chain transaction

 5    activity of volume if blockchain is not

 6    working.

 7              So you have to pick a start time

 8    when -- when -- when -- when a blockchain

 9    becomes functional.  So that's the starting

10    point.  The end point of 2021 is driven by the

11    fact that in terms of the full years, we have

12    data on the LBRY blockchain network operations

13    through -- through 2021.

14         Q.     Dr. Richard, based on your data in

15    Exhibit 8, does the -- does your conclusion

16    change over time about whether or not LBC are

17    being used for the economic uses on the

18    blockchain versus for investment purposes?

19              MS. MECHANIC:  Objection.

20         A.     Again, my expert conclusions are not

21    reported on a year-by-year basis.  But I do --

22    I do believe that I might offer -- I might have

23    offered some explanations as to why this ratio

24    was low in 2017, 2018.

25         Q.     Did you offer any --
```

190

CONFIDENTIAL

```
 1        A.     So --
 2        Q.     -- on your -- I'm sorry,
 3   Dr. Richard.  Go on.
 4        A.     Yes.  So my overall conclusions in
 5   the report is -- is based on the results
 6   obtained for the aggregate for a six-year
 7   period.  It happens to be a six-year period.
 8        Q.     So if the ratio was less than 1.0,
 9   would your conclusion change?
10             MS. MECHANIC:  Objection.
11        A.     If -- if the ratio was 1.0, I would
12   have said that roughly half of the activity is
13   related to non-investment on-chain activity
14   related to the consumption and exchange of
15   information in a decentralized way.  And the
16   other half is driven by, you know, people
17   trading the cryptocurrency on the secondary
18   market platform.
19        Q.     If the ratio was 0.5, what would you
20   have said?  Or what would be the conclusion
21   based on that?
22             MS. MECHANIC:  Objection.
23        A.     I would have -- I would have said
24   that the secondary market trading activity
25   seems to dominate the on-chain transaction
```

191

CONFIDENTIAL

1   volume.

2   Q.   Would it be correct to say that in

3   2017 and 2018, the secondary market trading

4   dominated on-chain transaction volume?

5   MS. MECHANIC: Objection.

6   A.   That's what the data shows in this

7   particular table, yes.

8   Q.   Okay. Are there any other inputs

9   into the ratio that you are presenting here

10 other than the data in this table?

11   A.   The ratio is just -- the ratio in

12 the rightmost column is just computed as the

13 ratio of the number in the second column over

14 the number in the third column.

15   So -- you see all the inputs for the

16 computation -- for the arithmetic computation

17 of this ratio in this table.

18   Q.   Okay. Did you make any adjustments

19 to the secondary market trading volume that you

20 are listing here?

21   A.   What do you mean by "adjustments"?

22 If I may ask.

23   Q.   Previously testified that you

24 adjusted the amount of on-chain transaction

25 volume to try to eliminate LBRY wallet

192

CONFIDENTIAL

```
 1  addresses, right?

 2           MS. MECHANIC:  Objection.

 3       A.    I did adjust on-chain transaction

 4  volume by remove the LBRY, Inc. related

 5  transactions on-chain, yes.

 6       Q.    Did you remove any transactions

 7  from -- from the data in column B?

 8       A.    No.  No, I did not.

 9       Q.    Okay.  You didn't back out any

10  trading that LBRY may have done itself?

11           MS. MECHANIC:  Objection.

12       A.    No.

13       Q.    Okay.  What type of activity is

14  considered on-chain network activity?

15       A.    Generally speaking, any transfers of

16  cryptocurrency between addresses is recorded on

17  a blockchain, appended to a block and validated

18  by the validator.  That's what -- so any

19  transfer of token is considered -- is

20  considered an on-chain activity.

21       Q.    Okay.  Some of those transfers of

22  tokens are not the economic uses for LBC that

23  you detail in your report, correct?

24           MS. MECHANIC:  Objection.

25       A.    Can you -- can you clarify your --
```

193

CONFIDENTIAL

1 your question, please.

2   Q.   Sure. Let me give you a for

3 example.

4   Let's say there's a wallet address

5 and the person who controls that wallet address

6 wants to split it into two wallets.

7   Is that the economic uses of LBC

8 that you are talking about in your report?

9   A.   Generally, no.

10   Q.   Okay. What if there is a wallet

11 address and the person who controls that wallet

12 address just wants to transfer it to a

13 different wallet address.

14   Is that part of the economic uses

15 that you are detailing in your report?

16   MS. MECHANIC: Objection.

17   A.   It -- it might be. But it might be

18 not. So depends on the purpose of that split.

19   Q.   Okay. So, for instance, if -- if

20 someone had a wallet address and they said oh,

21 I'm a little worried about the security of this

22 address. I'm going to transfer it to another

23 address.

24   Would that be an economic use of

25 LBC?

194

CONFIDENTIAL

```
 1            MS. MECHANIC:  Objection.
 2  Objection.
 3       A.    Can you repeat the question?  I'm
 4  sorry.  I missed it.
 5       Q.    I can try.
 6            If someone had a wallet address and
 7  became concerned about the security of that
 8  wallet address and transferred those LBCs to a
 9  different wallet address, would you consider
10  that as one of the economic uses of LBC?
11            MS. MECHANIC:  Objection.
12       A.    General speaking, if it's a
13  security-related concern and it's not related
14  to the consumption of or sharing of the
15  information, I would probably call it non --
16  non-consumptive use of that.
17       Q.    Okay.
18       A.    Albeit, again, who knows.  That
19  person might be planning to create a new
20  channel into what he wants to associate that
21  particular channel, you know, with a particular
22  address.
23            So who knows.  It depends on the
24  ultimate goal of that user.  If he wants to
25  receive tips for that particular channel,
```

195

CONFIDENTIAL

```
 1  contributions to a particular address that's

 2  different from the original, could he do that,

 3  possibly.

 4       Q.    If that person that wanted to create

 5  a channel, that would be a separate blockchain

 6  activity, right?  That would be a separate

 7  transaction on the blockchain?

 8       A.    That would be -- yes, that would be

 9  like creating a new claim on the LBRY

10  blockchain.

11       Q.    So you'd be capturing that whether

12  or not you included the transfer from one

13  wallet to another?

14            MS. MECHANIC:  Objection.

15       A.    It would be -- it would be included

16  on-chain, yes.

17       Q.    Did you do anything, Doctor, to --

18  to deduct from the on-chain transaction volume,

19  transactions that were unrelated to the

20  economic uses of LBC?

21       A.    Put it this way, we -- I removed

22  obviously on-chain transfers that were related

23  to LBRY.  Right.  And we talked about it

24  before.  They may be some transactions that are

25  not related to using or exchanging information.
```

196

CONFIDENTIAL

```
 1              So yeah, there may be some that --
 2    that are sitting in the on-chain transaction
 3    volume.
 4         Q.    And those transactions would not
 5    reflect the sort of end-user use of LBC as, you
 6    know, for a video sharing platform, correct?
 7              MS. MECHANIC:  Objection.
 8         A.    I mean, hypothetically, yes.  But --
 9    hypothetically speaking, yes.  But many of the
10    non-consumptive uses of LBC token are enabled
11    within -- you know, they are enabled within the
12    wallet.  So that may not -- that would be
13    cheating the cryptocurrency exchanges.
14         Q.    Okay.  Well, let's actually talk
15    about exchanges.
16              If a person who had a wallet address
17    transferred their tokens from the wallet
18    address to a digital trading platform, would
19    that cause an on-chain transaction to be
20    recorded?
21         A.    If you transfer a token from one of
22    your addresses to an address at an exchange,
23    that would be recorded on-chain, correct.
24         Q.    Okay.  And I take it -- would you
25    agree that that is not one of the economic uses
```

197

CONFIDENTIAL

```
 1  of LBC that you are trying to capture with

 2  on-chain transaction volume?

 3       A.    It may or may not be.  If, for

 4  example, you are content publisher and you

 5  received a lot of tipping, a lot of tips, and

 6  you want to unlock some of those received tips

 7  and, you know, convert the LBC tokens into

 8  let's say Tether and you transfer it to an

 9  exchange to sell, is that related to an

10  economic activity, yes, it is.

11             You are taking the compensation that

12  you received for your informational service on

13  the on-chain, you just want to monetize it and

14  convert it into different currency.

15       Q.    What about a transaction like that

16  that's unrelated to a content creator?  Let's

17  say someone just buys LBC, has it in a wallet

18  address on the blockchain and then wants to

19  transfer it to an exchange to be traded.

20             Would you consider that the economic

21  activity on the LBRY network?

22             MS. MECHANIC:  Objection.

23       A.    I -- I would say there may be --

24  there may be transactions like this.  That's a

25  possibility.
```

198

CONFIDENTIAL

```
 1          Q.    Well, can an investor who wants to
 2   invest in LBC buy it on-chain instead of on the
 3   exchange?
 4               MS. MECHANIC:  Objection.
 5          A.    Typically, purchases and trades in
 6   tokens occur directly on secondary market
 7   tradings.
 8          Q.    Did you do anything to deduct the
 9   transfers on-chain from a wallet address to an
10   exchange?
11               MS. MECHANIC:  Objection.
12          A.    I did not.  But again, as I said,
13   in -- in my experience, most of the secondary
14   market trading activity happens primarily on
15   and around the trading venues.
16               It's just -- so the -- you know, the
17   valid reason why somebody would transfer tokens
18   from their LBC in-app wallet is to monetize the
19   compensation that you received for your
20   informational services.
21          Q.    But --
22          A.    Typically -- typically, what happens
23   if you want to buy some -- if you wanted to buy
24   a token on the secondary crypto exchange, you
25   go to -- you create an account.  You transfer
```

199

1 whatever cryptocurrency or, you know, quite

2 often, the feed of currency onto that exchange

3 and you just buy.

4   You -- you just buy that -- you

5 know, using the order book that -- that you

6 are, you know, seeing on the screen of your

7 exchange application.

8   So in most cases, that's not

9 reflected on-chain. Because an exchange of fee

10 or cryptocurrency and then the trading happens

11 in the offset -- in the off-chain setting of

12 the exchange.

13   Q.   What's your basis for saying that,

14 Doctor?

15   A.   What is the basis of saying -- this

16 is -- this is based on looking at the activity

17 based -- and the activity and understanding the

18 way -- the way the crypto exchange is -- the

19 centralized crypto exchanges are set up.

20   Q.   In looking at your data, Dr.

21 Richard, is there any way to tell the

22 difference between when a person is cashing out

23 their LBC because they received it for

24 video-related purposes or a person is cashing

25 out their LBC because they'd like to sell it

200

CONFIDENTIAL

```
 1   for investment purposes?

 2            MS. MECHANIC:  Objection.

 3       A.    There is no really way to -- to

 4   distinguish between those two types of

 5   transactions.

 6       Q.    So is what you just told us about

 7   when people use exchanges based on sort of your

 8   general knowledge about blockchain?

 9       A.    General -- general expertise, yes.

10       Q.    Have you ever seen actual data that

11   explains how often someone is buying on-chain

12   versus off-chain to invest in a particular

13   crypto token?

14            MS. MECHANIC:  Objection.

15       A.    No.  I've been looking at -- I've

16   done, you know, several types of

17   investigations.  So -- and I've dealt with

18   records showing how the cryptocurrencies were

19   purchased.

20            So it is -- it is quite common to

21   purchase and trade the cryptocurrency directly

22   on the exchange.  But it is true that larger

23   investors, especially the ones who self-custody

24   their own tokens, they might engage into

25   on-chain transactions before transacting on an
```

201

CONFIDENTIAL

```
 1  exchange.
 2      Q.    Did you do anything to deduct the
 3  volume for those type of wallet holders from
 4  your on-chain transaction volume?
 5      A.    Can you repeat the question again?
 6  I'm sorry.
 7      Q.    Yes.
 8            Did you do anything to deduct the
 9  volume of the type of users you are talking
10  about who do large on-chain transactions from
11  the on-chain transaction volume you are
12  reporting here in Exhibit 8 -- 7 and 8?
13      A.    Generally speaking, the -- the
14  transaction amounts that occur on -- that occur
15  on-chain within the LBRY ecosystem, they're
16  small transactions.  Because they are dealing
17  with, you know, sharing information,
18  publishing, uploading, downloading, tipping.
19            I would not -- I don't believe that
20  any large investor would -- any larger investor
21  would use the platform as a tool to store
22  their -- to store their LBCs and then transfer
23  them to the exchange to sell.
24      Q.    Are you familiar with mining pools,
25  Dr. Richard?
```

202

CONFIDENTIAL

```
 1                MS. MECHANIC:  Objection.
 2       A.    If -- can you repeat the question
 3  again?  I'm sorry.
 4       Q.    Sure.
 5             If Exhibit 147, the on-chain
 6  transaction data, does not deduct all of the
 7  LBRY wallet activity, would that introduce
 8  error into the results of your reporting in
 9  Exhibits 5A, 5B, 6, 7A and 7B?
10                MS. MECHANIC:  Objection.
11       A.    If -- if we missed some of the LBRY
12  related activity, that's correct.
13       Q.    Okay.
14       A.    It could -- it could introduce some
15  error.
16       Q.    And does the -- the concept that the
17  whole wallet amount is transacted on-chain,
18  does that throw off your on-chain transaction
19  volume estimations for 5A, 5B, 6, 7A and 7B?
20                MS. MECHANIC:  Objection.
21       A.    In principle, it might.  But I don't
22  know the quantification of that particular
23  impact.
24       Q.    Well, you -- you want your on-chain
25  transaction volume to be measuring user
```

244

```
 1  activity, right?
 2       A.    I'm doing the best effort to do
 3  that, yes.
 4       Q.    Right.
 5             If a user tips one LBC to a content
 6  creator, you want that to register as one LBC
 7  of volume, correct?
 8             MS. MECHANIC:  Objection.
 9       A.    That's -- that's correct.  Yes.
10       Q.    So if -- if the transaction volume
11  that the block is recording is actually a
12  thousand LBC for that transaction because
13  there's a thousand LBC in that user's wallet,
14  your on-chain transaction volume for that
15  transaction is off, correct?
16             MS. MECHANIC:  Objection.
17       A.    Well, it depends if it goes back to
18  the change address or not.  If it's a full
19  amount, then there is no error.  If there is a
20  change address related, then one LBC recorded,
21  that would be fair representation of the -- of
22  the actual activity that happened.
23       Q.    Right.
24             For that transaction, at least as
25  you are saying, if it goes to a different
```

245

CONFIDENTIAL

```
 1  address, that's a thousand times off what you

 2  would want it to be?

 3              MS. MECHANIC:  Objection.

 4       A.    I'm not sure.  I have to look at

 5  some specific examples of -- of the

 6  transactional activity related to particular

 7  users.

 8       Q.    But you would want it to be one?  A

 9  tip of one should be one on-chain transaction.

10       A.    Ideally, yes.

11       Q.    Okay.  Well, ideally, and in order

12  to make the assumption that on-chain

13  transaction volume is representative of user

14  activity, correct?

15       A.    I want to represent the user

16  activity, yeah, to the best possible way.

17  Correct.

18       Q.    Right.

19              And to do that, you need your

20  on-chain transaction volume to record the

21  amount of transaction not the total amount of

22  the wallet, correct?

23              MS. MECHANIC:  Objection.

24       A.    I definitely -- not the amount --

25  not -- not the balance of the wallet.
```

246

CONFIDENTIAL

```
 1        Q.    Okay.  Can I direct you to -- one

 2   second.

 3              Can I direct you to page 144,

 4   starting on line ten.

 5        A.    Line ten --

 6        Q.    It's one that says 1218, then ten.

 7        A.    I see line ten.

 8        Q.    Can I have you read there to the end

 9   of the page.

10        A.    Yup.

11                         (At this time, the witness

12                         perused the aforementioned

13                         item.)

14        A.    Okay.  I'm done reading.

15        Q.    Okay.  And do you see there that --

16   that Mr. Kauffman is testifying, in fact, that

17   he -- he -- he is asked whether there could

18   potentially be more than a thousand wallet

19   addresses associated with LBRY.

20              And he says, "You can end up with a

21   large amount of addresses with really small

22   amounts of LBC in them," correct?

23        A.    Yes.  I have read that.

24        Q.    All right.  And so does the fact

25   that there was potentially a large amount of
```

254

CONFIDENTIAL

1 LBRY wallets a concern to you when you were

2 doing your analysis of the number of wallet

3 addresses?

4   MS. MECHANIC: Objection.

5   A.   It is not a concern on my part.

6 Because, again, the -- the quantification and

7 the timeline of the address -- cumulative

8 number of addresses is -- is -- only should be

9 taken in the context together with the analysis

10 that I performed later to show that the address

11 creation is -- is correlated and tracks in a

12 positive way the additional functionality and

13 additional utility features that are available

14 to the users on the LBRY -- on the LBRY

15 blockchain.

16   So secondly, I would also say that

17 if you look at the first exhibit, one of my

18 exhibits tracks the number of addresses with

19 non-zero balances of LBRY credits. And by the

20 end of the period, the number of those

21 addresses is about 12 million.

22   And from -- from researching the

23 data, I do know that the number of users, let's

24 say by -- by December 2020, when the Odysee was

25 released, it was about 9 million. So the

255

1   Q.   Can I have you bring up -- first of

2   all, let me have you refresh the marked exhibit

3   folder. I put additional marked exhibits in

4   there.

5   But for now, I'd like you to bring

6   up and download -- download and bring up the

7   spreadsheet that is Exhibit 142.

8   A.   Okay. I opened the spreadsheet.

9   Q.   And Exhibit 142 is the -- are the

10   three worksheets that go with your Exhibits 11,

11   12 and 13, correct? And, in fact --

12   A.   Yes.

13   Q.   11, 12, 13 and 14.

14   A.   Correct.

15   Q.   Could you open up the one that says

16   "Utility T minus one to one"? On mine, it's

17   the middle one.

18   A.   Okay.

19   Q.   You list a bunch of utility

20   announcements here, correct?

21   A.   Yes.

22   Q.   What was your basis for choosing

23   these announcements for this analysis?

24   A.   My criterion for choosing -- for

25   choosing these announcements was if they

260

CONFIDENTIAL

1   related to some -- some features that were

2   available or were becoming available to the

3   users of the LBRY data sharing network.

4   Q.   Okay. And then going over to LBRY

5   team, you list a number of team announcements.

6   What was your criteria for selecting

7   these?

8   A.   The criteria, I believe I list them

9   in the report. These are the announcements

10 that relate to staffing changes that relate to

11 LBRY, you know, publishing some performance

12 summaries or recapping the -- the development

13 or the road maps for the future development.

14 Some partnership that may announce -- that the

15 LBRY is going to partner with. You know, other

16 types of initiatives.

17   So again, these -- these are the

18 ones that do not necessarily deal with utility

19 upgrades or utility introductions that make

20 additional user operations possible on -- on

21 the data sharing network.

22   Q.   Did you say you don't deal with

23 those?

24   A.   I'm sorry?

25   Q.   Did you say I do not deal with those

261

CONFIDENTIAL

1 or I do deal with those?

2   A.   No. These -- these are the types of

3 announcements -- the ones that I call LBRY team

4 announcements are the ones that do not deal

5 with utility improvements or upgrades or either

6 functionality that is -- that's becoming

7 available to the user base which are

8 participating in the LBRY community.

9   Q.   Okay. If you look at the LBRY News

10 web page starting on 7/6/16, there are 219

11 posts in total. You include about 55 unique

12 posts between Exhibit 11 and 13.

13   What was your basis for rejecting

14 the other three-quarters of the post from your

15 analysis?

16   MS. MECHANIC: Objection.

17   A.   I chose in terms of the utility, I

18 did my best to select sort of important

19 upgrades and features that were announced

20 over -- over the course of the time.

21   And -- and in terms of the LBRY

22 team, again, I selected the ones that I could

23 clearly identify that they deal with sort of

24 strategy and -- and staffing changes and to the

25 extent that they -- you know, they encompass

262

CONFIDENTIAL

```
 1  pretty wide range of dates.  This is what I
 2  used to -- to do this analysis.
 3      Q.    Is it your opinion that the other
 4  posts don't contain news that might potentially
 5  affect the price of LBC?
 6          MS. MECHANIC:  Objection.
 7      A.    I have to -- I had to make a
 8  judgment.  And my judgment was that these are
 9  the ones that should be used -- you know,
10  should be used for this analysis.
11      Q.    Dr. Richard, you said you had to
12  make a judgment.
13          Why?  Why couldn't you test all of
14  the announcements?
15      A.    Some -- some of them -- well,
16  because I had to categorize them into two
17  distinction categories.  One of them are
18  related to what I call LBRY team and others
19  related to utility, utility over utility
20  improvements.
21          So I decided to test the ones that
22  show up in these two exhibits.
23      Q.    In fact, you could have tested all
24  the announcements, correct?
25          MS. MECHANIC:  Objection.
```

263

CONFIDENTIAL

```
 1        A.    Hypothetically -- hypothetically

 2  speaking, yes.

 3        Q.    So what are the criteria that you

 4  used to determine which ones were the important

 5  announcements?

 6              MS. MECHANIC:  Objection.  Asked and

 7  answered.

 8        A.    I'm not saying that they are

 9  important.  I'm saying that these are the ones

10  that are analyzed and examined and determine

11  that they can be broken into the two categories

12  that I ran my analysis on.

13        Q.    Dr. Richard, did you collect the

14  news for yourself or did you have one of your

15  team do it?

16        A.    I used the team -- I used the

17  team of -- I used the team to help me to do

18  that, yes.

19        Q.    And did the team give you all 219

20  posts or did they give you a subset of those

21  posts?

22        A.    I do not -- I do not recall, to be

23  honest.

24        Q.    You don't know whether they gave you

25  all of the posts or not?
```

264

CONFIDENTIAL

```
 1          A.     No, I do not.

 2          Q.     Who on your team pulled the posts?

 3          A.     One of the consultants.

 4          Q.     Which one of the consultants?

 5          A.     I believe Ismail Sheik was -- was

 6   working on this assignment.

 7                 MS. MECHANIC:  Marc, the 219 figure,

 8   are you representing that's the number of posts

 9   or is there a website we should be looking at?

10                 MR. JONES:  Well, I'm not

11   introducing the website at this point.  But I'm

12   looking at the LBRY News web page, starting

13   from 7/6/16 forward.

14                 MS. MECHANIC:  Okay.

15          Q.     Dr. Richard, who classified

16   important versus not -- excuse me.

17                 Who decided which of the posts

18   posted on LBRY News web page would be analyzed

19   in your Exhibits 11 and 13?

20          A.     I'm the one who reviewed it and

21   decided that I'm using it in my -- in my

22   analysis.

23          Q.     Okay.  But you just said that you

24   were not sure whether or not you received all

25   219 posts, correct?
```

265

CONFIDENTIAL

```
 1              MS. MECHANIC:  Objection.
 2       A.     Yeah, I do not recall the specifics
 3  of that.  I might have received -- I do know
 4  that -- I do know that I reviewed, you know,
 5  more -- more announcements that were -- that
 6  are part of this particular analysis.
 7       Q.     And you rejected some?
 8              MS. MECHANIC:  Objection.
 9       A.     To the best of my recollection, I
10  did.
11       Q.     Did you give your team any guidance
12  on how to classify the posts?
13              MS. MECHANIC:  Objection.
14       A.     We had a discussion and I
15  specifically -- I specifically told them sort
16  of the criteria by which they should do sort of
17  preliminary run and identify these
18  announcements.
19              So, for example, I said if the LBRY
20  team announcements that are related to staffing
21  changes, road maps, sometimes summary
22  performances, some of the partnerships, they
23  have to be definitely analyzed.
24              And then I specified on the other
25  hand, the announcements that deal with utility
```

266

1 upgrades, new versions, introductions of new

2 functionality, has to be classified as the

3 other one, in the other category.

4   Q.   How many members of your team were

5 involved in classifying the news posts?

6   A.   There was one member of my team

7 involved.

8   Q.   And you only took news post from the

9 LBRY website, correct?

10   A.   That is correct. Yes.

11   Q.   What did you do to mitigate the

12 possibility that by only taking news from the

13 LBRY website, your analysis would suffer from

14 the selection bias of what LBRY chose to

15 publish and when it chose to publish it?

16   A.   Can you repeat the question?

17   Q.   Sure.

18   What did you do to mitigate the

19 possibility that by only taking news from the

20 LBRY website, your analysis would suffer from

21 selection bias of what LBRY chose to publish

22 and when it chose to publish it?

23   MS. MECHANIC: Objection.

24   A.   I did not necessarily see any

25 selection bias. They thought -- the LBRY was

267

1 very clear about the upgrades and changes. And

2 they were always focused on delivering the new

3 functionality and the new utility to the

4 community.

5   So there was no reason for me to

6 believe that they would hide or hold back some

7 increment -- some incremental improvements or

8 large improvements to their -- to their

9 blockchain.

10   So -- and based on, you know, my

11 review of their postings, they were also quite

12 diligent about updating the community about

13 what they do in terms of the partnerships

14 and -- and staffing changes and other

15 initiatives that are not related to the utility

16 of the blockchain and the services that our

17 users have access to.

18   Q.   Dr. Richard, do you experience that

19 companies always publish -- voluntarily publish

20 the bad news about themselves?

21   MS. MECHANIC: Objection.

22   A.   I did -- I did not look at that

23 issue. And I don't see why -- how it's

24 relevant to this particular analysis.

25   Q.   Well, let me ask you this,

268

CONFIDENTIAL

1   measure of a -- of the statistical fit.

2   Q.   Okay.

3   A.   Over particular -- over particular

4   regression model. So the -- it's the fraction

5   of the total variation and the variable that's

6   explained -- that's explained by the -- that's

7   explained by the explanatory variable.

8   Q.   Okay. So let's look about midway

9   through your report, can you go out to column

10 GW.

11   A.   GW?

12   Q.   G as in George, W as in water.

13   MS. MECHANIC: Not Washington?

14   MR. JONES: That would have been

15 better, Rachel. Thank you. I'm in trouble

16 because my sister went to GW.

17   MS. MECHANIC: As did I.

18   A.   Okay.

19   Q.   Okay. What's the R squared in

20 column GW?

21   A.   .01.

22   Q.   So one percent?

23   A.   That's correct.

24   Q.   And does that mean for this

25 estimation period, which goes between 11/7/2019

307

CONFIDENTIAL

1   and 2/5/20, that the change in Bitcoin price

2   explains 1.3 percent of the change in LBC

3   price?

4   A.   Generally speaking, yes.

5   Q.   All right. And then going over to

6   column GZ, there's two percent, correct?

7   A.   GZ -- yes.

8   Q.   Then going back to column GT, it's

9   1.5 percent, correct?

10   A.   Yes.

11   Q.   So for these time periods at least,

12   the change in Bitcoin price is explaining very

13   little of the variation in LBC price, correct?

14   MS. MECHANIC: Objection.

15   A.   The Bitcoin -- the Bitcoin did --

16   did explain very little of the LBC price token

17   performances.

18   Q.   All right. So if the Bitcoin

19   change -- price change is explaining

20   two percent of the variation in LBC price, then

21   presumably, something else or a set of

22   somethings else is explaining the other

23   98 percent, correct?

24   A.   For that particular day, yes.

25   Q.   All right. You see there's also

308

CONFIDENTIAL

1   Q.   Doctor, I'm asking, I think, a

2 different question. And let me try to put it

3 to you another way. See if I can get at it.

4   Should your model remove the T minus

5 one day, the T day, and the T plus one day from

6 the estimation window in order to remove the

7 effect of the announcement from the results in

8 the estimation window?

9   MS. MECHANIC: Objection.

10   Q.   Do you know, Doctor?

11   A.   Yes.

12   Q.   Did you say yes?

13   A.   I said yes. Yes. Yes. Yes.

14   Q.   So if you look down column G as in

15 George, V as in Victor, and you look down to

16 column -- row 45, you see 12/12/2019?

17   A.   Which tab are we looking at?

18   Q.   The regression prep tab.

19   A.   Okay.

20   Q.   All right. So you see that in line

21 45 GV as in Victor 45, it has 12/12/2019?

22   A.   Yes, I do.

23   Q.   And then the next row has

24 12/14/2019?

25   A.   Yes.

313

CONFIDENTIAL

1   Q.   So does that tell you that when you

2 made this model, you and your team only removed

3 the day of the event and not the day before or

4 after?

5   MS. MECHANIC: Objection.

6   A.   I'm not -- I'm not sure sitting and

7 looking at this right now because I see other

8 entries where two days were reviewed. So -- I

9 have --

10   Q.   Two days seeing reviewed.

11   A.   Well, for example, 12/18/2019, and

12 then the next one is 12/21/2019.

13   Q.   Okay. So --

14   A.   There are two observations are

15 removed here. So sitting in this chair right

16 now, I can not tell you exactly why -- you

17 know, if -- if it was a three-day period

18 removed from this particular set up.

19   Q.   You have your exhibits in front of

20 you, sir?

21   Actually, you don't even need

22 that --

23   A.   I just switched to --

24   Q.   Can you go to the announcements

25 worksheet in the same Exhibit 143?

                                            314

CONFIDENTIAL

```
1          A.    Yes.  Okay.

2          Q.    And you see here looking at in rows

3    61 and 62 the reason that -- there are two

4    events, one on 12/19/19 and 12/20/2019, that

5    you are analyzing?

6          A.    I do see that.  Yes, I do see that.

7          Q.    Right.

8                And so does that explain why there

9    are two days removed in -- in -- in the time

10   period we were just looking at in the

11   regression prep worksheet?

12         A.    No.  I'm not sure.  I cannot -- I'm

13   not prepared to answer this question.  As to

14   whether this particular event is related to the

15   fact that one observation was removed.

16         Q.    So you don't know whether or not one

17   day was removed or three days was removed?

18               MS. MECHANIC:  Objection.

19         A.    Looking at this spreadsheet now, no,

20   I do not.  My instruction that I gave was very

21   clear.

22         Q.    But three days should have been

23   removed, correct?  That was the clear

24   instruction that you gave?

25         A.    I believe so, yes.
```

315

CONFIDENTIAL

```
 1          Q.     And if you have not -- if your
 2   team -- let's put it on your team now, I guess.
 3               If your team has not removed
 4   three days, then your estimation windows are
 5   miscalculating what is needed for the abnormal
 6   return, correct?
 7               MS. MECHANIC:  Objection.
 8          A.     They may or they may or may not.  So
 9   depending on the -- depending on the size of
10   the sample -- depending on the size of the
11   sample period.
12          Q.     Well, your sample periods are
13   30 days and 90 days, correct?
14          A.     That is correct.
15          Q.     So in either sample, you are
16   including two days that the news that you are
17   analyzing is effecting in trying to establish
18   the baseline against which you are judging it.
19               MS. MECHANIC:  Objection.
20          A.     I'm sorry.  Can you repeat again?
21          Q.     Well, in your estimation windows,
22   you are including two days where you say that
23   the news affects the price or potentially
24   affects the price.
25          A.     Three days.
```

316

CONFIDENTIAL

1 estimate the coefficient for the later date,

2 which it's not, then yes, it could be used.

3   Q.   Through the method you are using

4 here?

5   A.   I'm sorry?

6   Q.   Through the methodology that you are

7 using here in your exhibits?

8   A.   That is correct.

9   Q.   Dr. Richard, what's the null

10 hypothesis that you are testing with your event

11 study?

12   A.   What's the null hypothesis? The

13 null hypothesis is that there is no impact --

14 the null hypothesis is that there's no impact

15 of a particular announcement or the particular

16 type of announcement on the price performance.

17 That's a null hypothesis.

18   Q.   Does a -- does the lack of a

19 statistically significant result disprove the

20 null hypothesis?

21   A.   Can you repeat the question?

22   Q.   Does the lack of a statistically

23 significant result disprove the null

24 hypothesis?

25   A.   Are you talking about the type one,

322